

**ST. TAMMANY PUBLIC TRUST
FINANCING AUTHORITY**

Financial Statements and
Independent Auditor's Report

August 31, 2013

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Independent Auditor's Report

To the Board of Trustees
St. Tammany Public Trust Financing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the St. Tammany Public Trust Financing Authority (the Authority) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the St. Tammany Public Trust Financing Authority as of August 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Tammany Public Trust Financing Authority's basic financial statements. The accompanying Schedule of Governing Board is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Governing Board is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
February 13, 2014

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Statement of Net Position
August 31, 2013

	Enterprise Funds		
	1991C Program	Unrestricted	Total
Assets			
Cash and Cash Equivalents	\$ 636,736	\$ 181,812	\$ 818,548
U.S. Government Securities - At Amortized Cost	11,001,621	-	11,001,621
Deferred Financing Costs - Net of Amortization	11,562	-	11,562
Total Assets	11,649,919	181,812	11,831,731
Liabilities and Net Position			
Bonds Payable - Net of Discounts	11,077,326	-	11,077,326
Total Liabilities	11,077,326	-	11,077,326
Net Position	\$ 572,593	\$ 181,812	\$ 754,405

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Statement of Revenues, Expenses and
Changes in Net Position
For the Year Ended August 31, 2013

	Enterprise Funds		
	1991C Program	Unrestricted	Total
Revenues			
Interest on Investments	\$ 856,390	\$ 1	\$ 856,391
Total Revenues	856,390	1	856,391
Expenses			
Amortization of Deferred Financing Costs	11,841	-	11,841
Amortization of Discounts on Bonds Payable	785,572	-	785,572
Professional Fees	7,002	1	7,003
Total Expenses	804,415	1	804,416
Changes in Net Position	51,975	-	51,975
Net Position, Beginning of Year	520,618	181,812	702,430
Net Position, End of Year	\$ 572,593	\$ 181,812	\$ 754,405

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Statement of Cash Flows
For the Year Ended August 31, 2013

	Enterprise Funds		
	1991C Program	Unrestricted	Total
Cash Flows from Operating Activities			
Interest Income Receipts	\$ 2	1	\$ 3
Professional Fees Paid	(7,002)	(1)	(7,003)
Net Cash Used in Operating Activities	(7,000)	-	(7,000)
Net Decrease in Cash and Cash Equivalents	(7,000)	-	(7,000)
Cash and Cash Equivalents, Beginning of Year	643,736	181,812	825,548
Cash and Cash Equivalents, End of Year	\$ 636,736	\$ 181,812	\$ 818,548
Reconciliation of Change in Net Position to Net Cash Used in Operating Activities			
Change in Net Position	\$ 51,975	\$ -	\$ 51,975
Amortization of Bond Discounts	785,572	-	785,572
Amortization of Deferred Financing Costs	11,841	-	11,841
Accretion in U.S. Government Securities	(856,388)	-	(856,388)
Net Cash Used in Operating Activities	\$ (7,000)	\$ -	\$ (7,000)

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of the St. Tammany Public Trust Financing Authority (the Authority) conform to accounting principles generally accepted in the United States of America, as applicable to governments. The following is a summary of certain significant accounting policies:

History of the Authority

The St. Tammany Public Trust Financing Authority was created through a Trust Indenture dated March 6, 1979, pursuant to provisions of Chapter 2-A of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments granted the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of St. Tammany Parish, Louisiana.

The Authority's operations consist of the following programs. Two programs are single family mortgage revenue bond programs whereby the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. The funds for these programs were obtained through the issuance of \$50,000,000 of 1979 Single Family Mortgage Revenue Bonds, dated July 1, 1979 (the 1979 Program) and \$37,500,000 of 1980 Single Family Mortgage Revenue Bonds, dated December 1, 1980 (the 1980 Program). In addition, the Authority had a collateralized loans-to-lenders program whereby the Authority provided funds to participating savings and loan associations for the purpose of making loans to developers for the acquisition, construction, and ownership of multifamily rental properties. The funds for this program were obtained through the issuance of \$20,915,000 of 1982 Collateralized Loans-to-Lenders Housing Revenue Bonds, dated May 1, 1982 (the 1982 Program).

On March 8, 1990, the Authority issued \$26,470,000 in Taxable Refunding Bonds Series 1990A, dated March 1, 1990 (the 1990A Program) and on April 17, 1990, the Authority issued \$3,340,000 Tax-Exempt Convertible Capital Appreciation Refunding Bonds Series 1990B, dated April 1, 1990 (the 1990B Program) for the purpose of providing for the repayment of the outstanding bonds of the 1979 Program. The Authority entered into an Escrow Deposit Agreement with a local bank pursuant to which there have been deposited sufficient funds and Government Obligations (as defined in the 1979 Indenture) to provide for repayment of the 1979 bonds pursuant to the 1979 Indenture. Simultaneously, the mortgage loans receivable and certain funds of the 1979 Program were transferred to the 1990A Program and to the Authority's Unrestricted Fund. During the year ended August 31, 2003, the Authority retired all remaining 1990B bonds payable. During the year ended August 31, 2004, the Authority retired all remaining 1990A Bonds Payable.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

History of the Authority (Continued)

On April 25, 1991, the Authority issued \$3,780,000 Single Family Mortgage Revenue Refunding Bonds Series 1991A dated April 1, 1991 (the 1991A Program), \$2,095,000 Taxable Refunding Bonds Series 1991B, dated April 1, 1991 (the 1991B Program), and \$11,850,000 Tax-Exempt Capital Appreciation Refunding Bonds Series 1991C, dated May 1, 1991 (the 1991C Program). The Series 1991A bonds had an interest rate of 7.00% and matured on June 1, 2002. The Series 1991B bonds had an interest rate of 8.25%. The Series 1991C bonds bear no interest and mature on July 20, 2014. The proceeds from the issuance of these bonds were used to pay bond issuance costs of the program and, along with funds from the 1980 Program, were used to retire the 1980 Program's outstanding Bonds Payable. The 1980 Program's Mortgage Loans Receivable were transferred to the 1991A and 1991B Programs as collateral for the respective Bonds Payable. The 1991C Program's Bonds Payable are secured by a second lien on the Mortgage Loans Receivable of the 1991B Program. During the year ended August 31, 2000, the 1991B bonds were paid off and the remaining assets and liabilities were transferred to the 1991C Program. During the year ended August 31, 2002, all remaining 1991A mortgage certificates receivable and bonds outstanding were retired. The balance of funds was paid to the cities of Covington and Slidell.

The bonds issued by the Authority are general obligations for the Authority and are not an obligation of the State of Louisiana, or any other political subdivision thereof. The Authority's Board of Trustees is empowered under the trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the programs it initiates. Under each of the programs, the Authority utilizes area financial institutions to originate and service the mortgage loans and notes acquired. In addition, a bank has been designated as Trustee for each of the bond programs and has the fiduciary responsibility for the custody and investment of funds.

Basis of Accounting

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB No. 63, net position is classified into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- a. *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

- b. *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted* - All other net position is reported in this category.

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Authority operates certain funds established by the Bond Trust Indentures. The funds, which are maintained by the Trustee, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. The individual funds within each bond program are aggregated in the accompanying financial statements. Because the 1979 Program was in-substance defeased during the year ended August 31, 1990, it is no longer presented with the accompanying financial statements.

Impact of Recently Issued and Adopted Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pro-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. GASB 62 is effective for periods beginning after December 15, 2011.

The Authority's adoption of this statement in 2012 did not have any impact on the Authority's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this statement are effective for financial periods beginning after December 15, 2011. During 2012, the Authority adopted the statement and restated balances previously referred to as net assets to net position.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of the statement are effective for periods beginning after December 15, 2012. Management does not anticipate that the adoption of this statement will have any impact on the Authority's financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Under state law, the Authority may invest in United States bonds, treasury notes, or certificates. These investments are stated at amortized cost.

Deferred Financing Costs and Amortization

Bond issuance costs, including underwriters' discount on bonds sold, are being amortized systematically over the lives of the bonds, based upon the principal amounts outstanding.

Discounts

Discounts resulting from the purchase of U.S. Government securities and the sale of bonds are amortized over the lives of the securities under the effective interest method.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Cash and Investments

The Authority's programs maintain deposits at the Trustee bank. The balance of these deposits at August 31, 2013, was \$ 818,548. These deposits are stated at cost which approximates market. The Authority's cash equivalents represent interests in money market mutual funds. The Authority's investment is a Federal National Mortgage Association Zero Coupon Bond which matures on July 5, 2014.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Credit Risk - The Authority's cash equivalents and investments at August 31, 2013, are listed below to indicate the credit rating at year end. The Authority does not have a formal investment policy regarding investment credit risk.

Concentration of Credit Risk - The Authority has no formal limit on the amount the Authority may invest in any one issuer. Federal National Mortgage Association Zero Coupon Bonds make up 100% of the Authority's investments.

Interest Rate Risk - The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Rates on the investments are noted below:

	Maturity	Amortized Cost	Market Value	S&P Rating
1991C Program				
Cash Equivalents -				
JP Morgan Chase U.S. Treasury Plus		\$ 636,736	\$ 636,736	AAAm
U. S. Government Securities -				
Federal National Mortgage Association	7/5/2014	11,001,621	11,832,107	AA+
		<u>11,638,357</u>	<u>12,468,843</u>	
Unrestricted				
Cash Equivalents -				
JP Morgan Chase U.S. Treasury Plus		181,812	181,812	AAAm
Total		<u>\$ 11,820,169</u>	<u>\$ 12,650,655</u>	
Combined				
Cash Equivalents		\$ 818,548	\$ 818,548	
U.S. Government Securities		11,001,621	11,832,107	
Total		<u>\$ 11,820,169</u>	<u>\$ 12,650,655</u>	

The Authority's investments do not meet the requirements under GASB Statement No. 31, which would require investments to be recorded at fair value. U S. Government securities are carried at amortized cost because it is the Authority's intent to hold all such securities until maturity and the investments are not held primarily for the purpose of income or profit.

The Authority does not anticipate a requirement to sell any of the U.S. Government and Federal Agency securities it holds prior to maturity because such securities are invested to mature as funds are needed to satisfy debt service payments.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

Note 3. Bonds Payable

Outstanding bonds payable are due on a term and serial basis and bear interest at rates as follows at August 31, 2013:

1991C Program	Amount
Tax Exempt Capital Appreciation Refunding Bonds, Due July 20, 2014, Zero Stated Rate, 7.38% Effective Yield	\$ 11,850,000
Less: Related Discount	<u>(772,674)</u>
Net Total	<u>\$ 11,077,326</u>

The bond principal and interest requirements of the 1991C Program Bonds Payable are secured by the pledge of all assets of the 1991C Program and by a zero coupon U.S. Government Security with a face amount of \$11,850,000, which matures on July 5, 2014. The 1991C Program Bonds are structured such that the bonds accrete in value monthly until the value at maturity is \$11,850,000. The bonds are scheduled to mature on July 20, 2014, and are not subject to optional redemption prior to maturity.

It is not possible to project the bond principal payments for the 1991C Program Bonds for the next five years due to the repayment structuring and the redemption procedures of the Trust Indentures.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Schedule of Governing Board
For the Year Ended August 31, 2013

<u>Board Member</u>	<u>Compensation</u>
Freddy Drennan 2055 Second Street Slidell, LA 70458 (985) 646-4332	\$-0-
Lee Alexius 317 N. Jefferson Avenue Covington, LA 70433 (985) 892-1811	\$-0-
Kim Harbison 2055 Second Street Slidell, LA 70458 (985) 646-4307	\$-0-
Donald Villere 3101 E. Causeway Approach Mandeville, LA 70448 (985) 626-3144	\$-0-
Mike Cooper 317 N. Jefferson Avenue Covington, LA 70433 (985) 892-1811	\$-0-

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Trustees
St. Tammany Public Trust Financing Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the St. Tammany Public Trust Financing Authority (the Authority) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Tammany Public Trust Financing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
February 13, 2014